

# **AMERICAN TRADE RELATIONS WITH INDIA**

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Good afternoon. I am very pleased to be here in New Delhi, and especially to meet with the Federation of Indian Chambers of Commerce and Industry. I am pleased to be joined on my visit to India by Mr. Issi Siddiqui, who is the Special Advisor to our Secretary of Agriculture on international trade matters, as well as colleagues from USTR, the Department of Agriculture, and our Embassy here in Delhi.

My country is now preparing for the World Trade Organization's Third Ministerial Conference, set to open at the end of this month in Seattle. This will be the largest trade event ever held in the United States, bringing political leaders, trade ministers, members of the business community and other representatives of civil society to Seattle from all over the world. I am pleased that, for the first time, members of India's business community will join Minister Maran and his delegation at Seattle. We expect that the Ministerial Conference will launch a new Round of international trade negotiations – the first, in fact, since the creation of the WTO five years ago. And as the event approaches, we are discussing the agenda for this Round with our most important trading partners around the world.

So I have come to this historic city – now opening its fourth millennium as a center of government, commerce, education and science for India and the world – to seek your advice and ideas, share our own policy views, and discuss the opportunities before us as the work begins. I will be meeting with a broad range of Indian government officials; I also hope to gain a clear understanding of the concerns and objectives of India's business community. This afternoon, I will outline our ideas; and I believe they reflect shared interests and common opportunities for India and the United States in the WTO and the action we will collectively take in Seattle.

## **A FIFTY-YEAR PARTNERSHIP**

To start with the fundamental point, our Administration supports a strong and prosperous India, which is a leader and full partner in the trading system. We will continued to work closely with India as we shape the WTO agenda; Indeed, an important purpose of my visit is to intensify our cooperation and collaboration. We see this as both a matter of mutual interest, and an endeavor wholly in keeping with the high aspirations of our two countries.

Our governments rest upon democracy, the rule of law, and the rights of the individual. Our countries and our Constitutions promote intellectual freedom and vigorous public discourse.

Our policies, at their best, reflect aspirations for opportunity and social justice.

And in the context of trade policy, for fifty years, since the era of President Truman and Prime Minister Nehru, we have together, through the world trading system, worked to create opportunity, lift living standards and promote the rule of law. In effect, we have attempted to realize Rabindranath Tagore's vision of a world:

“where the mind is without fear and the head is held high; where knowledge is free; where the world has not been broken up into fragments by narrow domestic walls; where tireless striving stretches its arms towards perfection.”

In 1948, just months after India's rebirth as an independent nation, we joined as founders of the General Agreement on Tariffs and Trade. Through eight negotiating Rounds, capped by the creation of the World Trade Organization in 1995, we reduced the industrial world's tariffs by 90%. And we went on to agreements that help farm families find new opportunities; protect the rights of Indian and American authors, software engineers and scientists; promote innovation and growth in the services sector; and open the industrial markets to India's textile factories and artisans.

These commitments carefully balance the priorities of all WTO members. Their implementation promotes growth and development worldwide; helps all of us win the full benefit of our comparative advantage in good times, and shields us against cycles of protection and retaliation in economic crisis; and allows Indian and American businesses to operate in a world characterized by law and fair play rather than anarchy and the rule of force.

## **THE WTO AND INDIAN ECONOMIC STRATEGY**

The WTO and the principles it represents – transparency, open markets, the rule of law in the world economy – work in harmony with India's domestic reforms. By opening its economy to trade and domestic competition, India creates the competition that stimulates innovation, improved quality, technological progress and long-term growth.

The benefits that flow from employing the principles of the WTO are reflected in India's experience. While much work remains ahead, through the combination of domestic liberalization and an opening world economy through the world trading system:

- India's economy is growing. Growth rates, at 5% to 7% since reform began, have been high, allowing the new government to seek creation of 10 million new jobs every year.
- India's finances are strong, with foreign reserves rising by \$6 billion in the past year.
- India's families are seeing life improve, as incomes grow in rural areas and cities alike.

- And of course, India has become a world leader in information technology and appears to be on the way to meeting its goal of being an IT superpower early in the next century.

## **THE WTO AND US-INDIAN TRADE**

This era of progress and reform is also clear in the economic relationship which unites so many of you with your American trading and investment partners.

Since President Clinton took office, liberalization has helped American energy, manufacturing and other firms invest nearly \$5 billion in India -- creating jobs for Indian families and bringing new technologies to the Indian economy. And our bilateral trade has doubled.

This year, we may reach three quarters of a trillion rupees -- \$16 billion -- in two-way goods and services trade each year, with most of it coming from India to America. As America has cut tariffs and eliminated non-tariff barriers to Indian products since the WTO's creation in 1995, India's total exports to the U.S. have grown by \$5 billion--an increase of more than 44%. Nowhere have the WTO's benefits to India been more clear than in the textile and apparel sector, where our faithful implementation of the Agreement on Textiles and Clothing has helped achieve a 77% volume increase in imports from India.

This rapid export growth is evidence of the concrete opportunities the WTO creates for Indian business. And the value of implementing commitments for growth and technological advance is shown very clearly, for example, in the field of intellectual property. India's status as a world leader in software, film and literature has been bolstered by stronger protection of copyright at home and abroad. In the area of patent protection, there will be intense scrutiny of India's implementation of its commitment to provide patent protection by January 1, 2000. We hope and expect timely compliance with India's obligations in this area. Effective patent protection will send strong signals to investors about the attractiveness of India as a destination for investment.

We certainly continue to have our share of disagreements -- unjustified quantitative restrictions, minimum import prices on steel imports, investment rules in the auto industry, access to India markets for services and textiles. But we are addressing these in a mature and responsible way; through bilateral consultations and negotiations and, as necessary, using the WTO's dispute process as intended. India is an active user dispute settlement. For example, India won two cases related to wool apparel products against the United States, and another against Europe. We have fully implemented the decisions in these cases, and are in the process of implementing decisions in other cases. India has taken its obligations seriously and has already complied or indicated its intention to comply with all adverse rulings. We expect India to continue to live up to its WTO obligations.

In the larger perspective, these disagreements should not and do not prevent us from taking advantage of shared interests and ideals. And given the complementary nature of our

economies, and the personal and family ties created by our million-strong Indian-American community, our potential in a more open world is immense. And let me now offer you some thoughts on how we might realize concrete and substantial opportunities through ongoing work in the WTO and as part of the negotiations we expect to launch in Seattle.

### **THE WORK AHEAD**

Fundamentally, we believe the Round must be broad enough to create the political consensus for success and balanced enough to achieve benefits for all countries involved.. It should also be manageable enough to complete in a limited time, thus offering benefits rapidly without a posing a new major implementation or resource burden. Within this framework, it should achieve the following goals:

- Ensure that the WTO does its part to create growth and alleviate poverty around the world;
- Take up the opening of sectors such as agriculture and services, where the work has only begun and from which developing countries will gain new opportunities for exports and investment, especially in the high technology sector;
- Continue to create new opportunities for trade by reducing the world's tariff and non-tariff barriers to industrial goods;
- Ensure that the trading system stays up to date, particularly for the new industries and methods of trade created every day by the scientific and technological revolution; and
- And reform the WTO itself to make it more effective in its mission, more open and accountable, and more secure in its base of public support.

### **PROMOTING DEVELOPMENT**

To take the first point, President Clinton has placed especial emphasis on ensuring that this Round meets the needs of developing countries; and in particular the least developed, which are the nations most afflicted by poverty and hunger. Here our proposals include the following:

- We should take special measures to open our markets for the least developed. This will help us as well as our poorer trading partners. For our part, we have committed to expansion of our duty-free treatment for the least developed nations -- for developing countries as a group, over 70% of our trade is already duty-free -- and to special programs for Africa and the Caribbean Basin. We will seek opportunities to do more in the Round.
- We should improve our technical assistance and capacity-building programs to help developing countries, including the least developed, make the commitments that offer

opportunities for exports, investment and technological progress. Together with Bangladesh and several African countries, we have presented a proposal to improve the WTO's technical assistance programs, particularly for those countries which have the greatest difficulty with implementation.

- And the agenda for the Round should, as many developing countries have maintained, be a manageable one. For example, India and others have argued that issues like investment and competition policy are not ripe for negotiations at this point, and might impose an insupportable implementation burden in any case. We have listened and we agree.

The agenda we are developing thus concentrates on top priorities and areas of common interest. It has, in fact, much in common with the domestic agenda President Narayanan laid out in his Address to Parliament last week: opening markets and advancing the rule of law; giving each of us greater opportunities in the areas in which we have comparative advantage; supporting the advance of science and technology; improving and reforming governance to create more transparency and more citizen participation. And let me offer you a few examples.

### **SHARED GROWTH AND PROSPERITY**

First of all, as two of the world's leading economies and trading powers, we share an interest in the growth and prosperity we can create through fairer, more open markets. The WTO has already confirmed negotiations to begin this year on agriculture and in the services industries. To this, we hope to add industrial tariff and non-tariff barriers, in sectors balancing the priorities of developing and developed country exporters. A brief review is as follows:

In agriculture -- as the Kural says, "the axle-pin which carries the world"-- we can reform world trade in ways that help us both, but are especially important to the developing world. We can cooperate to create open markets that increase the opportunities available to farm families; that strengthen food security by ensuring that nations have access to diverse supplies; and that ensure that farmers can use modern science to improve productivity and reduce pressure on land and water. As a top priority, we call for the elimination of agricultural export subsidies. These hurt farmers everywhere in the world by depressing prices and flooding foreign markets; but hurt the rural families of the developing world, whose governments have fewer resources to fight back, most of all. Last week, at an informal meeting of trade ministers from a variety of countries in which the U.S. and India participated, we heard eloquent and compelling testimony from developing countries on the incredibly important role that agricultural reform plays in development and the alleviation of poverty.

In services, by opening trade in areas such as distribution, insurance and other financial services, engineering and telecommunications, we can promote the efficiency that helps countries attract investment, as we also spread beneficial technologies more rapidly around the world. The services sector, in particular, plays to India's strengths in knowledge-based industries.

And in industrial goods, by lowering tariffs and other barriers, we can create opportunities for growth and employment in developing and industrial economies, improve price and choice for consumers, and create the economies of scale that support research, development and technological progress.

One opportunity is the Accelerated Tariff Liberalization initiative begun in APEC. It would eliminate or harmonize tariffs in many areas where India is already a highly successful exporter – in gems and jewelry, Indian businesses and artisans exported \$1.8 billion worth of goods to the United States; in chemicals, \$200 million; in fishery products, \$160 million – thus further strengthening India in its areas of comparative advantage. Likewise, the ATL offers Indian governments and businesses cheaper access to modern technologies. To cite just one example, with New Delhi already among the world's ten most polluted cities, the city government and Indian power firms can reduce costs and get more shoppers onto Chandni Chowk by removing tariffs on such products as power plant scrubbers.

## **BUILDING THE 21<sup>ST</sup>-CENTURY ECONOMY TOGETHER**

Second, as leaders in the scientific and technological revolution, we can work together to build the high-tech economy of the 21<sup>st</sup> century.

### **1. Electronic Commerce**

In electronic commerce, for example, India's program is one of the developing world's most imaginative and advanced. Internet access requires little capital, helps entrepreneurs find customers and suppliers quickly, and eases technical and paperwork burdens that can slow participation in trade. So it is ideally suited for developing countries, and people with a good idea but little capital -- Indian entrepreneurs, rural collectives and so on, and high-tech businesses hoping to form alliances with overseas partners.

All three of these factors are at work in the cooperation underway between American high-tech industry and Indian software in Karnataka and elsewhere; and in the forecast that electronic commerce within India may reach \$15 billion within two years. India's government fully recognizes the potential of this development, as is clear in its creation of the Ministry of Information Technology and its introduction of a draft law on electronic commerce.

The development of electronic commerce, however, depends first of all on our ability to preserve the Internet as a world which today has no borders or domestic walls; and India thus has as much interest as any country in the world in keeping the Internet free of tariffs or other barriers. The role of governments in this new and flourishing area of commerce is quite simple: to make sure that trade is not impeded by the erection of restrictive trade barriers. So we hope India and the United States will join together in Seattle to extend the current duty-free treatment of electronic transmissions.

## **2. ITA II**

Likewise, India's success in software and film show India is capable of world leadership as an exporter in other IT sectors: computers, semiconductors, telecommunications equipment and so on. And as a buyer, access to these goods at the best prices is an essential contributor to a world-class telecommunications and computer network.

India's decision to join the WTO's Information Technology Agreement (ITA) last year is clear evidence of India's intention to become a world leader in these fields. By reducing prices for information technology products -- semiconductors, computers, and related equipment -- India improves the competitiveness of its software industry and links it with its markets around the world. We are thus a little puzzled by the Indian government's hesitancy on the next step -- the ITA-II -- which seems to be much at odds with the high tech interests and aspirations of the Indian business community.

The ITA II includes a limited but important set of products: printed circuit board manufacturing equipment, some consumer electronics, componentry and radar and navigation equipment. All offer India opportunities as a center for investment in high-tech industry, and equally important indirect opportunities for India as a premier producer of the software that drives many of these new products. And active participation in the ITA and its Committee allows India to help set the agenda for future trade policy in the knowledge fields. Achieving a successful conclusion to ITA-II is in very close reach, and would bring benefits to all participants, particularly India. We hope that India will be ready to take the final step with us.

## **PROMOTING SHARED VALUES**

Finally, as the world's two largest democracies, we should together move to promote good governance and combat bribery and corruption.

### **1. Government Procurement**

An example before us now is the WTO's agreement on transparency in government procurement -- that is, ensuring that government purchases of goods and services are done in the open through competitive bidding.

Recent experiences with improved procurement practices show that significant benefits for governments, citizens, and business. For example, Asian Development Bank studies reveal very significant savings for governments and taxpayers as a result of more open and transparent procurement practices. These will help governments get the best possible value for their spending, give firms greater faith that their bids will be treated fairly, and strengthen citizen confidence in government. Let me take a minute to clarify a few points on this agreement. It is not a market access agreement, but an agreement on process and procedure. The agreement would not seek to alter national preference programs. This agreement is about transparency,

efficient use of scarce public resources and good governance. We are poised to complete an agreement to support these practices worldwide; and the United States and India are natural allies in the work to conclude the talks this year. Indeed, APEC nations, which account half the world's trade, support conclusion of this agreement at Seattle.

## **2. Trade and Labor Working Group**

In countries like India and the United States, where a robust and open press flourishes as part of democracy, there are vigorous and often contentious debates on trade. Indeed, in both countries, our respective electorates and legislatures often challenge our participation in the WTO. Our governments--and our fellow WTO Members-- need to help our people recognize and understand the benefits of trade to their lives and the economies of our nations and the role of the WTO is trading system.

I would like to take this opportunity to tell you about a proposal the United States has made in this regard. On Saturday, we formally presented our proposal for the establishment in the WTO of a Working Group on Trade and Labor. The Working Group is intended to explore the relationship between trade liberalization and benefits to our workers-- employment and the social safety net.

Let me be clear: The idea is not to call on the WTO to set labor standards or to negotiate in the area, but to provide an opportunity to share ideas on adjustment and other issues in a world of growing trade and opening borders; and ultimately, help us make sure that the workers of India, America and the world draw all the benefit they should from trade.

## **CONCLUSION**

That is, of course, the reason our two nations set out fifty years ago to create the trading system; why we have worked together to build it; and why I am here today.

In the Ministerial and the Round, we have a unique opportunity to build an open world; a fair world; a world which reflects the values we have adopted at home and promoted abroad for half a century.

The work ahead has its foundation in concrete, shared economic interests and painstaking, detailed negotiations. Success will help Indian manufacturers find new markets, strengthen India's advantage in high technology, and support the incomes of Indian farmers; as it does these things for Americans as well. But it has a base in the broader aspirations we share.

Our vision of a more equitable, prosperous and sustainable world economy, where shared opportunities take the place of narrow domestic walls.

And our faith that with cooperation, good will and tireless striving, each generation can



work to alleviate poverty, increase living standards and opportunities for our peoples to toward the common end of making its world a better and more stable.

This is the opportunity before us; and let us make the most of it.

Thank you very much.